

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SS-15
NSC-05 JUSE-00 /054 W
-----122362 260546Z /14

P 260519Z MAY 78
FM AMEMBASSY WELLINGTON
TO SECSTATE WASHDC PRIORITY 5632
INFO AMEMBASSY CANBERRA
AMCONSUL AUCKLAND POUCH
AMEMBASSY SUVA

LIMITED OFFICIAL USE SECTION 01 OF 02 WELLINGTON 02787

E.O.11652:N/A
TAGS: EAIR, NZ
SUBJECT: CONTINENTAL AIRLINE DISCUSSIONS

REF: WELLINGTON 793

SUMMARY: CONTINENTAL AIRLINES AND THE GOVERNMENT OF
NEW ZEALAND (GNZ) MET FOR THREE DAYS THIS WEEK TO
DISCUSS SPECIFICS OF THE AIRLINES ENTRY INTO THE NEW
ZEALAND MARKET. CONTINENTAL'S PROPOSAL FOR A LOS ANGELES-
AUCKLAND FARE MADE UP OF THE SUM OF THE SECTOR FARES
(INCLUDING CABOTAGE ELEMENTS AS FAR AS PAGO PAGO)
EVOKED STRONG OPPOSITION FROM THE GNZ. PAN AM'S
REPORTED PLANS TO INCREASE CAPACITY ALSO RAISED GNZ
UNEASE ABOUT AN OVERALL CAPACITY PROBLEM GIVEN
CONTINENTAL'S ENTRY. NEXT STEP APPEARS TO BE GOVERNMENT
TO GOVERNMENT RATE CONSULTATIONS. CONTINENTAL DID
HOWEVER, ESTABLISH A WARM AND EFFECTIVE WORKING
RELATIONSHIP WITH LOCAL CIVIL AVIATION AUTHORITIES.
END SUMMARY.

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1. CONTINENTAL AIRLINE'S REPRESENTATIVES MET FOR THREE
DAYS THIS WEEK WITH THE MINISTRY OF TRANSPORTATION TO
DISCUSS SPECIFICS OF THE AIRLINE'S PROPOSED OPERATION
INTO NEW ZEALAND. AT THE OUTSET OF THE DISCUSSIONS IT
BECAME APPARENT THAT THE GNZ CONTINUED TO BE BOTHERED
WITH THE ISSUES OF CAPACITY AND FARES,
ISSUES WHICH CAUSED THE EARLIER GOVERNMENT-TO-GOVERNMENT

TALKS IN FEBRUARY TO FLOUNDER.

2. CAPACITY: CONTINENTAL OUTLINED FOR THE GNZ ITS BASIC MARKETING PHILOSOPHY AND PROVIDED SPECIFICS ON PLANS FOR DEVELOPING ADDITIONAL PASSENGER TRAFFIC INTO THE REGION. THE GNZ APPEARED TO ACCEPT THE PRESENTATION AND ONLY MADE SOMEWHAT LOW KEY NOISES ABOUT WHETHER TWO OR THREE FLIGHTS A WEEK MIGHT BE APPROPRIATE. THEY DID SAY, HOWEVER, THAT THE CAPACITY PROBLEM COULD BECOME EXACERBATED SHOULD PAN AM GO AHEAD, AS IS ANTICIPATED, AND ADD ADDITIONAL CAPACITY TO PROVIDE DAILY SERVICE IN AND OUT OF AUCKLAND. THE GNZ SAID IT FELT THIS WAS A PROBLEM FOR THE USG TO SORT OUT BETWEEN PAN AM AND CONTINENTAL. BOTH CONTINENTAL AND ECONOFF GAINED THE IMPRESSION THAT THE GNZ WOULD PROVE FLEXIBLE ON THIS ISSUE, AND THAT ASIDE FROM QUESTION OF INCREASED PAN AM CAPACITY ON THE EVE OF CONTINENTAL'S ENTRY, THE CAPACITY QUESTION WOULD NOT BE A MAJOR STUMBLING BLOCK.

3. FARES: HAVING A CLOSE EYE TO JUSTICE DEPARTMENT GUIDELINES REGARDING ANTI TRUST, THE CONTINENTAL REPRESENTATIVES WERE CAREFUL NOT TO ENGAGE IN ANY ACTION THAT COULD BE CONSTRUED AS DIRECT OR INDIRECT FARE DISCUSSION WITH AIR NEW ZEALAND (AIR NEW ZEALAND DID NOT, OF COURSE, PARTICIPATE IN THE MEETINGS AT ANY TIME). CONTINENTAL DID, HOWEVER, DISCUSS ITS FARE PHILOSOPHY AND DID SEEM TO CONVINCE THE GNZ THAT IT WAS LIMITED OFFICIAL USE

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NOT ENTERING THE MARKET IN A PREDATORY FASHION. THE GNZ, HOWEVER, DWELT ON THE UNACCEPTABILITY OF A LOS ANGELES-AUCKLAND FARE THAT WAS A SUM OF THE SECTORS WHEN OVER HALF OF THE SECTOR MILES WERE COVERED BY CABOTAGE FARES. THIS APPEARED TO BE A MATTER OF FIRMLY HELD PRINCIPLE FOR THE GNZ.

4. TENOR: THE DISCUSSIONS WHILE PROBABLY BRINGING INTO SHARPER FOCUS AREAS OF DISAGREEMENT WERE CONDUCTED IN AN EXTREMELY FRIENDLY ATMOSPHERE. IN FACT, THE TALKS DID MUCH TO ESTABLISH CONTINENTAL'S IMAGE AND CREDIBILITY, WHICH WAS STILL UNDER QUESTION WHEN THE TALKS BEGAN. ONE SENIOR GNZ OFFICIAL COMMENTED TO EMBASSY ECONOFF AT THE CONCLUSION OF THE SESSION THAT "THERE IS NO DOUBT THAT CONTINENTAL ITSELF IS HIGHLY THOUGHT OF HERE."

5. THE FUTURE: THE GNZ INITIALLY SUGGESTED THAT CONTINENTAL GET TOGETHER WITH AIR NEW ZEALAND AND PAN AM TO WORK OUT AN ACCEPTABLE FARE THAT THEY COULD THEN PRESENT TO GOVERNMENTS. THIS CONTINENTAL SAID

THEY COULD NOT DO, GIVEN U.S. ANTI-TRUST CONSTRAINTS.
CONTINENTAL THEN SUGGESTED THAT THEY GO AHEAD AND FILE
FOR AN OPERATING PERMIT, INCLUDING THE FILING OF TARIFFS,
ON THE UNDERSTANDING THAT THE GNZ WOULD DISAPPROVE THE
FILING AND CALL FOR GOVERNMENT TO GOVERNMENT RATE
CONSULTATIONS. THE GNZ AGREED THAT THIS WAS INDEED
PROBABLY THE ONLY PRACTICAL COURSE TO FOLLOW. CONTINENTAL
NOW PLANS A FILING WITHIN FOUR TO SIX WEEKS AND THE GNZ
WILL PROBABLY CALL FOR GOVERNMENT TO GOVERNMENT RATE
CONSULTATIONS WITHIN ABOUT A MONTH OF CONTINENTAL'S

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NSC-05 JUSE-00 /054 W

-----122385 261007Z /65

P 260519Z MAY 78

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC PRIORITY 5633

INFO AMEMBASSY CANBERRA

AMCONSUL AUCKLAND POUCH

AMEMBASSY SUVA

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FILING. HEALY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AIRLINES, NEGOTIATIONS, AVIATION AGREEMENTS, AIR ROUTES
Control Number: n/a
Copy: SINGLE
Draft Date: 26 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Format: TEL
From: WELLINGTON
Handling Restrictions: n/a
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Previous Handling Restrictions: n/a
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Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Exemptions: n/a
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Status: NATIVE
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TAGS: EAIR, NZ, US, CONTINENTAL AIRLINES
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vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/c9733895-c288-dd11-92da-001cc4696bcc
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